

**HOUSING AUTHORITY OF THE CITY OF SHAWNEE
SHAWNEE, OKLAHOMA**

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED DECEMBER 31, 2013

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Shawnee
Shawnee, Oklahoma

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of Shawnee (Authority), Oklahoma, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Housing Authority of the City of Shawnee, Oklahoma, as of December 31, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages i-vii be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the City of Shawnee, Oklahoma’s basic financial statements. The accompanying PHA’s Statement of Certification of Actual Modernization Costs and the Financial Data Schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The accompanying PHA’s Statement of Certification of Actual Modernization Costs, the Financial Data Schedule and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the accompanying PHA’s Statement of Certification of Actual Modernization Costs, the Financial Data Schedule and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated August 15, 2014, on my consideration of the Housing Authority of the City of Shawnee, Oklahoma’s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of the City of Shawnee, Oklahoma’s internal control over financial reporting and compliance.

Audit Solutions, LLC

Chesterfield, Missouri

August 15, 2014

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
December 31, 2013

Introduction

This Management's Discussion and Analysis (MD&A) of the Shawnee Housing Authority (Authority) provides an introduction and overview to the financial statements of the Shawnee Housing Authority for the fiscal year ended December 31, 2013. The Shawnee Housing Authority presents this discussion and analysis of its financial performance during the fiscal year ended December 31, 2013, to assist the reader in focusing on significant financial issues.

The primary focus of the Authority's financial statements is on the statements of its single enterprise fund encompassing all programs administered by the Shawnee Housing Authority. The information contained herein this MD&A should be considered in conjunction with the Authority's financial statements and related notes to the financial statements.

The Authority has five individual programs. They include the Low Rent program, a Centralized Office Cost Center (COCC), the Capital Fund Program (CFP), the Housing Choice Voucher program (HCV), and the Resident Opportunity and Supportive Services Program (ROSS).

- The Low Rent Program consists of 442 dwelling units. Funding is provided based on dwelling rents paid by the tenants and operating fund payments received by the Department of Housing & Urban Development based on a formula. The Low Rent Program is separated into 2 projects (AMPs).
- The COCC operates as a business activity program of the Authority. Revenue is generated through management, bookkeeping, and asset management fees paid by the other programs and other entities.
- The Capital Fund Program is also a formula based program from HUD. The purpose of this program is to provide funding for the modernization and improvement of the Low Rent Public Housing Program. These resources allow the Housing Authority to provide capital improvements for the current dwelling structures and assist in their operations.
- The Housing Choice Voucher Program provides rental assistance to aid low income families with affordable, decent, safe, and sanitary rental housing. The Authority provides rental assistance in the form of a housing assistance payment to a landlord on behalf of the tenant. The Authority currently has 497 units available. Funds are provided by HUD to provide rental assistance payments. The Authority is provided an administrative fee for the purpose of covering the administrative costs of the program. The administrative fee is computed by HUD on an annual basis.
- The Resident Opportunity and Supportive Services Program is a competitive grant provided by HUD, used by the Authority to provide social services to such as economic independence support.

Overview of the Financial Statements

This overview of the financial statement is intended to inform and introduce the reader to the Authority's financial statements. The financial statements are comprised of three individual statements. These statements include:

- The Statement of Net Position
- The Statement of Revenues, Expense, and Changes in Net Position
- The Statement of Cash Flows

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
December 31, 2013

Overview of the Financial Statements – (Continued)

The Statement of Net Position presents information on the assets, deferred outflows or resources, liabilities, and deferred inflows of resources with the differences between them being reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial situation of the Authority is improving or deteriorating. Net Position is comprised of three individual components:

- Net Investment in Capital Assets consists of capital asset balances net of accumulated depreciation less any outstanding balances of related debt associated with the acquisition of these assets.
- Restricted component of net position consists of resources that are restricted by limitations placed on these resources by an external source or imposed by law through enabling legislation.
- Unrestricted component of net position represents the remaining resources available that do not meet the definition of the above categories. The unrestricted component of Net Position is basically the amount of resources available for future year appropriations.

The Statement of Revenues, Expenses, and Changes in Net Position reports the operating revenues, operating expenses, non-operating revenues, and non-operating expenses of the Authority for the fiscal year ended December 31, 2013, to determine the net change in net position for the fiscal year.

The Statement of Cash Flows reports cash activities for the fiscal year resulting from operating activities, investing activities, non-capital financing activities, and capital and related financing activities. The net result of these activities represents the increase or decrease of the cash equivalent account balance for the year ended December 31, 2013.

Financial Highlights

The Authority's net position decreased from \$8,316,384 to \$7,951,119, a decrease of \$365,265 or 4%. Total assets also decreased by \$368,632 or 4%.

Total revenue decreased from \$5,617,851 to \$5,514,520, a decrease of \$103,331.

Total expenses decreased by \$282,112, from \$6,161,897 to \$5,879,785 for the current year. This represents a decrease of 5%.

Housing Authority Activities & Highlights

The Authority's overall financial position and operations for the past two years are summarized below based on the information in the current and prior financial statements. The table below lists the summary of net position for the year ended December 31, 2013, and December 31, 2012.

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
December 31, 2013

Housing Authority Activities & Highlights – (Continued)

Summary Statement of Net Position
As of December 31

| <u>Category</u> | <u>FYE 2013</u> | <u>FYE 2012</u> | <u>Change \$</u> | <u>Change %</u> |
|----------------------------------|-----------------|-----------------|------------------|-----------------|
| Current Assets | \$ 2,490,870 | \$ 2,570,607 | \$ (79,737) | -3% |
| Noncurrent Assets | \$ 5,868,437 | \$ 6,157,332 | \$ (288,895) | -5% |
| Total Assets | \$ 8,359,307 | \$ 8,727,939 | \$ (368,632) | -4% |
| | | | | |
| Current Liabilities | \$ 271,770 | \$ 255,096 | \$ 16,674 | 7% |
| Noncurrent Liabilities | \$ 136,418 | \$ 156,459 | \$ (20,041) | -13% |
| Total Liabilities | \$ 408,188 | \$ 411,555 | \$ (3,367) | -1% |
| | | | | |
| Unrestricted | \$ 2,040,100 | \$ 1,998,739 | \$ 41,361 | 2% |
| Restricted | \$ 42,582 | \$ 160,313 | \$ (117,731) | -73% |
| Net Investment in Capital Assets | \$ 5,868,437 | \$ 6,157,332 | \$ (288,895) | -5% |
| Total Net Position | \$ 7,951,119 | \$ 8,316,384 | \$ (365,265) | -4% |

Current Assets

The Authority's current asset balance decreased by \$79,737. Restricted cash and investments decreased from \$328,430 to \$209,852, a decrease of \$118,578 from December 31, 2012 to December 31, 2013. This was due primarily to HAP expenditures in the amount of \$2,576,816 exceeded HAP revenues in the amount of \$2,449,047. In contrast, unrestricted cash/investments increased by \$22,556, and total accounts receivable increased by \$10,802.

Noncurrent Assets

The Authority's noncurrent asset balance decreased primarily due to the charging of depreciation expenses in the current year. Please note the capital asset portion presented in a later section.

Current Liabilities

Current liabilities increased by \$16,674. This is primarily due to an increase in the current portion of accrued compensated absences in the amount of \$30,157. In addition, accounts payable – other government increased by \$5,561. In contrast, accounts payable – vendors/contractors decrease by \$16,450 and accrued wage/payroll taxes payable decreased by \$4,207.

Noncurrent Liabilities

Noncurrent liabilities decreased by \$20,041. This is due to a lower amount of accrued compensated absences reported as noncurrent in the current year as compared to the previous year.

Net Position

The net position of the Authority decreased by \$365,265 when compared to the previous fiscal year.

The Authority's unrestricted component of net position changed from \$1,998,739 to \$2,040,100, an increase of \$41,361 or 2% for the current year. This was primarily due to operating revenues exceeding operating expenses. The unrestricted component of net position is the amount available for future appropriations. This balance is subject to program specific guidelines.

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
December 31, 2013

Net Position – (Continued)

Unrestricted component of net position balance per program is as follows:

| | |
|--------------------------------|---------------------|
| Low Rent Housing Program | |
| AMP 1 | \$ 1,004,751 |
| AMP 2 | \$ 472,556 |
| Central Office Cost Center | \$ 387,328 |
| Housing Choice Voucher Program | <u>\$ 175,465</u> |
| Total Unrestricted | <u>\$ 2,040,100</u> |

The Authority's restricted component of net position changed from \$160,313 to \$42,582, a decrease of \$117,731 or 73% for the current year. This was primarily due to HAP expenditures exceeding HAP revenues. Net investment in capital assets decreased from \$6,157,332 to \$5,868,437 from December 31, 2012 to December 31, 2013. This was primarily due to the charging of depreciation expenses in the current year.

Summary Statement of Revenues & Expenses and Changes in Net Position
Years Ended December 31, 2012 and 2013

| Category | FYE 2013 | FYE 2012 | Change \$ | Change % |
|-------------------------------------|--------------|--------------|--------------|----------|
| Tenant Revenue | \$ 751,057 | \$ 703,452 | \$ 47,605 | 7% |
| HUD Operating Grants | \$ 4,190,681 | \$ 4,086,265 | \$ 104,416 | 3% |
| Capital Grants | \$ 289,487 | \$ 499,973 | \$ (210,486) | -42% |
| Interest Income | \$ 3,848 | \$ 3,381 | \$ 467 | 14% |
| Other Revenue | \$ 279,447 | \$ 324,780 | \$ (45,333) | -14% |
| Total Revenue | \$ 5,514,520 | \$ 5,617,851 | \$ (103,331) | -2% |
| Administration | \$ 1,260,077 | \$ 1,278,617 | \$ (18,540) | -1% |
| Tenant Service | \$ 144,465 | \$ 199,422 | \$ (54,957) | -28% |
| Utilities | \$ 227,332 | \$ 235,937 | \$ (8,605) | -4% |
| Ordinary Maintenance | \$ 749,304 | \$ 740,239 | \$ 9,065 | 1% |
| General Expense | \$ 333,329 | \$ 367,536 | \$ (34,207) | -9% |
| Casualty Losses | \$ - | \$ 142,625 | \$ (142,625) | -100% |
| Housing Assistance Payments | \$ 2,586,896 | \$ 2,523,357 | \$ 63,539 | 3% |
| Depreciation | \$ 578,382 | \$ 674,164 | \$ (95,782) | -14% |
| Total Expenses | \$ 5,879,785 | \$ 6,161,897 | \$ (282,112) | -5% |
| Increase (Decrease) in Net Position | \$ (365,265) | \$ (544,046) | \$ 178,781 | -33% |
| Net Position, Beginning of Year | \$ 8,316,384 | \$ 8,860,430 | \$ (544,046) | -6% |
| Net Position, End of Year | \$ 7,951,119 | \$ 8,316,384 | \$ (365,265) | -4% |

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
December 31, 2013

Results of Operations

Revenues of the Authority are generated principally Federal and State funding grant income. The Authority's revenue decreased by \$103,331 compared to the previous fiscal year. Notable changes as compared to the previous year include:

- Tenant revenue increased by \$47,605. This is due to an increase in the average rent charged per unit. AMP 1 of the Low Rent Program had an increase in average rent per unit from \$83 per unit for the prior year to \$89 per unit for the current year. AMP 2 of the Low Rent Program also had an increase in average rent per unit from \$176 in the prior year to \$195 in the current year.
- HUD operating grants increased by \$104,416. This is primarily due to the increase in Low Rent program operating grants in the amount of \$144,662. In addition, the HCV program had an increased in HAP funding in the amount of \$138,069. In contrast, the CFP program had a reduction in operating grants in the amount of \$142,894 and the HCV program had a reduction in the HAP administrative fees earned in the amount of \$37,372.
- Capital grant revenue decrease by \$210,486 due to a reduction in activity associated with capital improvement projects funded the Capital Fund Program.

Total expenses decreased by \$282,112. Significant variances include the following:

- Tenant services decreased by \$54,957. This was primarily due to a reduction in relocation costs. In 2012, temporary relocation of residents was necessary during a modernization project involving exterior staircase replacements in development 95-6. No such relocation costs were necessary in 2013.
- Housing assistance payments increased by \$63,539. This is due to the average HAP payment increased from \$424 per voucher leased in the prior year to \$442 in the current year.
- Depreciation decreased by \$95,782. This was due to several building improvements completed in 1996 reaching full depreciation in the prior year.

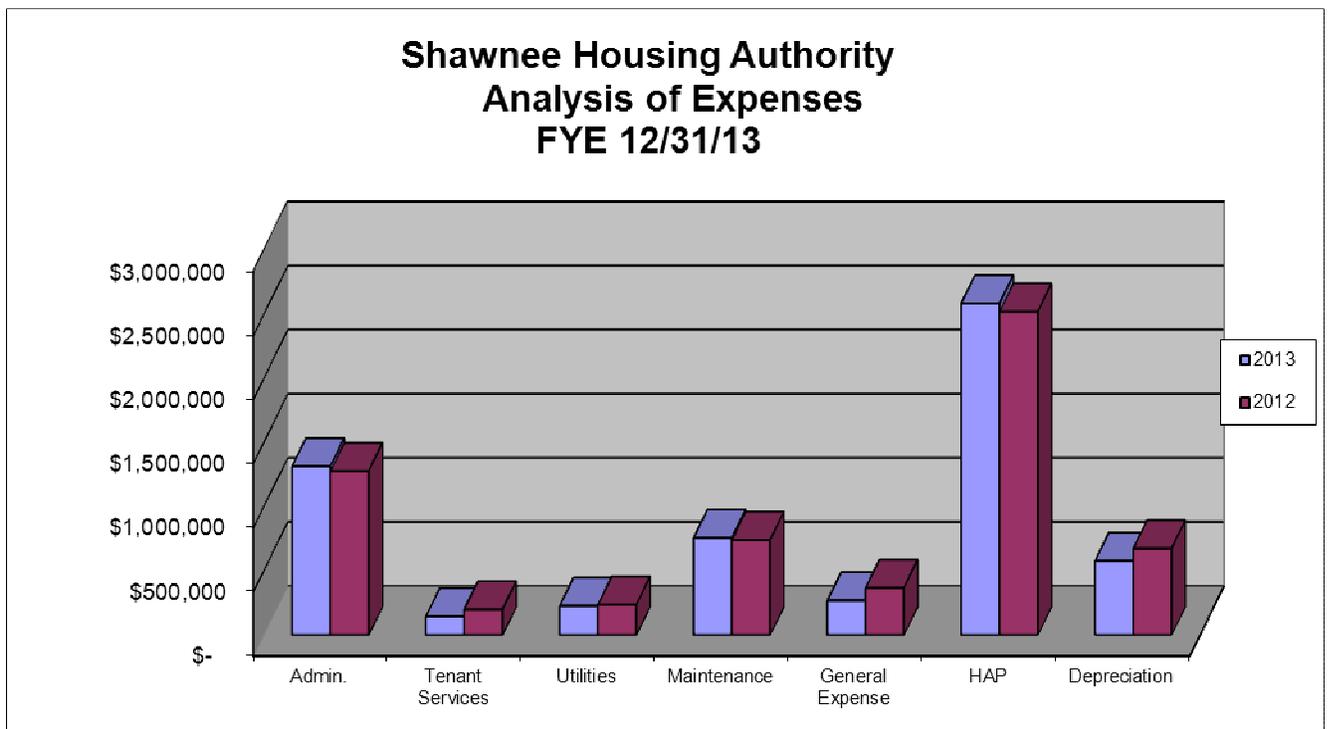
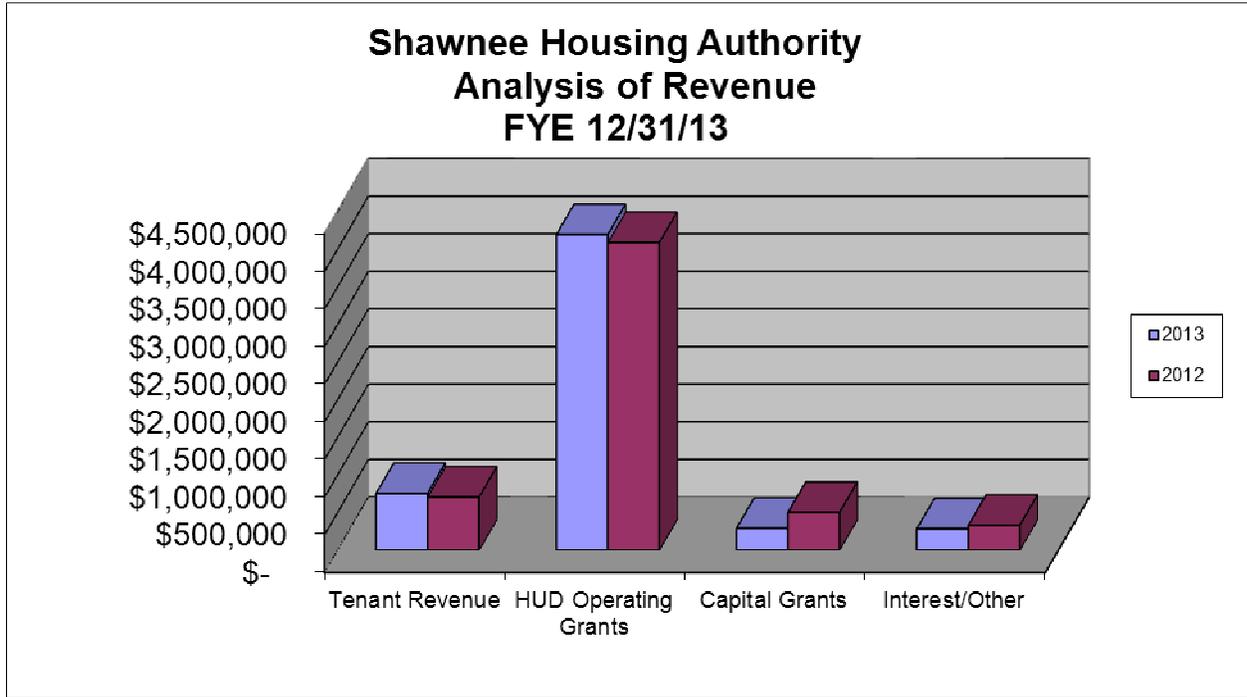
Costs related to personnel including salaries, benefits, and compensated absences decreased from \$1,765,167 to \$1,720,397, a decrease of \$44,770, from December 31, 2012 to December 31, 2013. This was primarily due to a reduction in compensated absences.

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
December 31, 2013

Results of Operations – (Continued)

The following presentations have been provided to demonstrate the revenues and expenses by summarized account category:



HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
December 31, 2013

Noncurrent Assets

As of December 31, 2013, the Authority's net investment in capital assets was \$5,868,437. This investment includes building improvements and equipment.

| <u>Category</u> | <u>FYE 2013</u> | <u>FYE 2012</u> | <u>Change \$</u> | <u>Change %</u> |
|--------------------------|------------------------|------------------------|-------------------------|------------------------|
| Land | \$ 345,053 | \$ 345,053 | \$ - | 0% |
| Buildings | \$ 20,136,045 | \$ 20,136,045 | \$ - | 0% |
| Equipment | \$ 513,417 | \$ 509,397 | \$ 4,020 | 1% |
| Construction in Progress | \$ 285,467 | \$ - | \$ 285,467 | 100% |
| Accumulated Depreciation | \$ (15,411,545) | \$ (14,833,163) | \$ (578,382) | 4% |
| | | | | |
| Total Net Fixed Assets | \$ 5,868,437 | \$ 6,157,332 | \$ (288,895) | -5% |

Equipment increased by \$4,020 due to the purchase of a walk behind scarifier for AMP 1 funded by operating revenues.

Construction in progress consists of an elevator renovation project for AMP 2 funded by the 2013 CFP.

Subsequent Event

As of the time of this analysis, HUD has not finalized the funding levels for the 2014 calendar year. It has been projected that administrative fees for the HCV program will be prorated at 75%. Operating subsidy for the Low Rent Housing Program will be 89%.

Request for Information

This financial report is designed to provide a general overview of the Authority's accountability for all those interested.

If you should have additional questions regarding the financial information, you can contact our office in writing at the following address:

Shawnee Housing Authority
Randy Thomason, Executive Director
PO Box 3427
Shawnee, OK 74801

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

STATEMENT OF NET POSITION
December 31, 2013

ASSETS

Current Assets:

| | | |
|---------------------------------|----|---------------|
| Cash and cash equivalents | \$ | 593,689 |
| Cash - restricted | | 209,852 |
| Investments | | 1,503,408 |
| Receivables - net of allowances | | 54,850 |
| Inventory - net of allowances | | 37,752 |
| Prepaid expenses | | <u>91,319</u> |

Total Current Assets 2,490,870

Non-current Assets:

Capital assets:

| | | |
|---|--|------------------|
| Land and construction in progress | | 630,520 |
| Other capital assets, net of depreciation | | <u>5,237,917</u> |

Total capital assets - net 5,868,437

Total Non-current Assets 5,868,437

Total Assets \$ 8,359,307

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

STATEMENT OF NET POSITION - (Continued)
December 31, 2013

LIABILITIES

Current Liabilities:

| | | |
|-----------------------------------|----|---------|
| Accounts payable | \$ | 103,273 |
| Accrued salaries and benefits | | 16,566 |
| Tenant security deposit liability | | 91,619 |
| Accrued compensated absences | | 50,598 |
| Unearned revenues | | 9,714 |

Total Current Liabilities 271,770

Non-current Liabilities:

| | | |
|---------------------------------|--|--------|
| Compensated absences | | 75,897 |
| Non-current liabilities - Other | | 60,521 |

Total Non-current Liabilities 136,418

Total Liabilities 408,188

NET POSITION

| | | |
|----------------------------------|--|-----------|
| Net investment in capital assets | | 5,868,437 |
| Restricted | | 42,582 |
| Unrestricted | | 2,040,100 |

Total Net Position 7,951,119

Total Liabilities and Net Position \$ 8,359,307

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2013

| | |
|--|----------------------------|
| OPERATING REVENUES | |
| Tenant revenue | \$ 751,057 |
| Governmental grants and subsidy | 4,190,681 |
| Miscellaneous | <u>279,447</u> |
| Total operating revenue | <u>5,221,185</u> |
| OPERATING EXPENSES | |
| Administrative | 1,260,077 |
| Tenant services | 144,465 |
| Utilities | 227,332 |
| Ordinary maintenance and operations | 749,304 |
| Protective services | 41,667 |
| Insurance | 129,493 |
| General | 162,169 |
| Housing assistance payment | 2,586,896 |
| Depreciation expense | <u>578,382</u> |
| Total operating expenses | <u>5,879,785</u> |
| Operating income (loss) | <u>(658,600)</u> |
| NON-OPERATING REVENUES (EXPENSES) | |
| Investment income | <u>3,848</u> |
| Net non-operating revenues (expenses) | <u>3,848</u> |
| Income (loss) before contributions and transfers | <u>(654,752)</u> |
| Capital contributions | <u>289,487</u> |
| Change in net position | (365,265) |
| Total net position - beginning of year | <u>8,316,384</u> |
| Total net position - end of year | <u>\$ <u>7,951,119</u></u> |

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|--------------------|
| Received from tenants | \$ 714,973 |
| Received from governmental grants and subsidy | 4,178,534 |
| Received from other operating activities | 903,003 |
| Payments for goods and services | (1,550,429) |
| Payments to employees | (1,714,411) |
| Payment in lieu of taxes | (45,403) |
| Payment for housing assistance | <u>(2,586,896)</u> |

Net cash provided by (used in) operating activities (100,629)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

| | |
|---|-------------|
| Proceeds from capital contributions | 289,477 |
| Purchases of capital assets | (289,487) |
| Receipts (payments) from deferred credits and escrow deposits | <u>(77)</u> |

Net cash provided by (used in) capital and related financing activities (87)

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---|--------------|
| Proceeds (payments) from sale (purchase) of investments | 94,894 |
| Receipts of interest and dividends | <u>4,694</u> |

Net cash provided by (used in) investing activities 99,588

Net increase (decrease) in cash and cash equivalents (1,128)

Cash and cash equivalents at beginning of year 804,669

Cash and cash equivalents at end of year \$ 803,541

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

STATEMENT OF CASH FLOWS - (Continued)
For the Year Ended December 31, 2013

| Reconciliation of operating income (loss) to net cash provided (used) by operating activities | |
|---|----------------------------|
| Operating income (loss) | \$ (658,600) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | |
| Depreciation expense | 578,382 |
| Change in assets and liabilities: | |
| Receivables, net | (11,648) |
| Inventories, net | (4,651) |
| Prepaid expenses | (832) |
| Accounts and other payables | (5,343) |
| Tenant security deposit | (580) |
| Deferred revenues | (3,343) |
| Compensated absences | 10,193 |
| Accrued expenses | <u>(4,207)</u> |
| Net cash provided by (used) by operating activities | \$ <u><u>(100,629)</u></u> |

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1B. Basis of Presentation - (Continued)

The Authority operates the following programs in the enterprise fund:

Low Rent – The objective of the program is to provide decent, safe and sanitary housing and related facilities for eligible low-income individuals.

Capital Fund Program – The purpose of this program is to provide funds annually to Housing Authorities for the modernization of the housing development and for management improvements.

Housing Choice Vouchers – The objective of the program is to help low-income families obtain decent, safe, and sanitary housing through a system of rental assistance. HUD reimburses the Authority for the rental supplements paid to private landlords and the administrative costs of managing the program.

Resident Opportunity and Supportive Services – The objective of this program is to provide housing residents with supportive services, resident empowerment activities and assistance in becoming economically self-sufficient.

Central Office Cost Center (COCC) – Under the Asset Management rule, the purpose of this program is to provide day-to-day operation of other programs of the Housing Authority in lieu of property management, asset management, bookkeeping, program management and fee for service fee.

1C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus - The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting - In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1D. Budgets

Budgets are prepared for regulatory purposes in accordance with the Authority’s contract with HUD on an annual basis for all operating programs and on a project length basis for capital projects funds which are approved by the Board of Commissioners and submitted to HUD for their approval, if required.

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1E. Estimates and assumptions

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could vary from those estimates.

1F. Assets, Liabilities, and Equity

Cash and Investments

For the purpose of the Statement of Net Position, “cash and cash equivalents” includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2B and 3A.

Inter-fund Receivables and Payables

During the course of operations, numerous transactions occur within individual funds that may result in amounts owed between funds. Inter-fund receivables and payables between funds are eliminated for financial statement presentation.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances consist of tenant, fraud recovery, PHA projects and HUD.

Inventories

Inventories are accounted for under the consumption method and recorded at lower of cost or market. Inventories consist primarily of maintenance materials and supplies held for consumption. The cost of these supplies is regarded as an expenditure at the time the items are consumed. Inventories are classified as current assets on the Statement of Net Position, net of an allowance for obsolete inventory.

Fixed Assets

Fixed assets in the proprietary fund types are stated at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. It is the policy of the Authority to capitalize all assets with a cost of \$2,500 or greater. The cost of maintenance and repairs are charged to operations as incurred. Costs of major additions, improvements, and betterments are capitalized.

Depreciation of all exhaustible fixed assets is charged as an expense against operations and is recorded in the Statement of Revenues, Expenses and Changes in Net Position with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

| | |
|---|-------------|
| Building | 15-40 years |
| Furniture, equipment and machinery - administrative | 3-10 years |

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1F. Assets, Liabilities, and Equity – (Continued)

Restricted Assets

Restricted assets include cash of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to the security deposit fund, HAP fund, and FSS escrow accounts under the Low Rent and Housing Choice Voucher program.

Compensated Absences

The Authority's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term and short-term liabilities based on historical trends. Amounts not expected to be paid within the next fiscal year are classified as long-term liabilities.

Equity Classifications

Equity is classified as net position and displayed in three components:

- 1) Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- 2) Restricted net position - Consists of net position with constraints placed on the use either by (i) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; (ii) law through constitutional provisions or enabling legislation.
- 3) Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the Authority's policy is to apply restricted assets first.

1G. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

Inter-fund Transfers

Permanent reallocation of resources between programs of the reporting entity is classified as inter-fund transfers. For the purposes of the Statement of Revenues, Expenses and Changes in Net Position, all inter-fund transfers between individual programs, if any, have been eliminated.

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2013

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Authority and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Authority's compliance with significant laws and regulations and demonstration of its stewardship over Authority resources follows.

2A. Program Accounting Requirements

The Authority's complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Authority are as follows:

| <u>Program</u> | <u>Required By</u> |
|---|--|
| Public and Indian Housing | U.S. Department of Housing and Urban Development |
| Capital Fund Program | U.S. Department of Housing and Urban Development |
| Housing Choice Vouchers | U.S. Department of Housing and Urban Development |
| Resident Opportunity and Supportive Services-ROSS | U.S. Department of Housing and Urban Development |
| Central Office Cost Center-COCC | U.S. Department of Housing and Urban Development |

2B. Deposits and Investments Laws and Regulations

It is the Authority's policy for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. The Authority must maintain a written collateral agreement from all financial institutions pledging collateral to the Authority. As reflected in Note 3A, all deposits were fully insured or collateralized.

Investing is performed in accordance with HUD regulations and State Statutes. Funds may be invested in the following type of investments:

- Direct obligations of the U.S. Government pledged by its full faith and credit.
- Demand, savings, money-market and certificates of deposit at commercial banks, mutual savings banks, savings and loan associations and credit unions provided that the entire deposit be insured by the FDIC and any deposits in excess of insured amounts are adequately collateralized.

2C. Revenue Restrictions

The Authority has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

| <u>Revenue Source</u> | <u>Legal Restrictions of Use</u> |
|------------------------------|---|
| Capital Fund Program | Modernization |
| ROSS | Resident supportive services |
| Housing Choice Vouchers | Housing assistance payments |

For the year ended December 31, 2013, the Authority complied, in all material respects, with these revenue restrictions.

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2013

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3A. Cash and Investments

As of December 31, 2013, the Authority had the following cash deposits and investments:

| | | |
|--------------------------|----|------------------|
| Cash deposits | \$ | 802,141 |
| Certificate of deposit | | 1,503,408 |
| Petty cash / change fund | | <u>1,400</u> |
| Total | \$ | <u>2,306,949</u> |

Following is a reconciliation of the Authority's deposit balances as of December 31, 2013:

| | | |
|----------------------------|----|------------------|
| Cash - unrestricted | \$ | 593,689 |
| Cash - restricted | | 209,852 |
| Investments - unrestricted | | <u>1,503,408</u> |
| Total | \$ | <u>2,306,949</u> |

Deposits

Custodial Credit Risk - Deposits

The custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. At December 31, 2013, the Authority's bank balances of \$819,152 were entirely covered by FDIC insurance or by pledged collateral held by the Authority's agent bank in the Authority's name.

Investments

Custodial Credit Risk - Investments

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At December 31, 2013, the Authority's investment balance of \$1,503,408 was entirely covered by FDIC insurance or by pledged collateral held by the Authority's agent bank in the Authority's name.

Interest Rate Risk

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investment in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organization. As the Authority's investments consist entirely of certificate of deposits, credit risk is not applicable to the Housing Authority.

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2013

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS - (Continued)

3A. Cash and Investments - (Continued)

Investments - (Continued)

Concentration of Credit Risk

The Authority places no limit on the amount the Authority may invest in any one issuer. At December 31, 2013, the concentration of the Authority's investment (excluding cash deposits) was as follows:

| <u>Type of Investment</u> | <u>Market Value</u> | <u>Maturity Date</u> |
|---------------------------|---------------------|----------------------|
| Certificate of Deposit | \$ 64,150 | 12/31/2014 |
| Certificate of Deposit | 101,892 | 6/22/2014 |
| Certificate of Deposit | 256,049 | 9/28/2014 |
| Certificate of Deposit | 279,575 | 6/21/2014 |
| Certificate of Deposit | 27,687 | 12/31/2014 |
| Certificate of Deposit | 101,892 | 6/22/2014 |
| Certificate of Deposit | 152,495 | 6/21/2014 |
| Certificate of Deposit | 169,626 | 12/10/2014 |
| Certificate of Deposit | 113,219 | 6/22/2014 |
| Certificate of Deposit | 101,664 | 6/21/2014 |
| Certificate of Deposit | 135,159 | 4/8/2014 |
| | <u>\$ 1,503,408</u> | |

3B. Restricted Assets

Restricted assets at December 31, 2013 consist of the following:

| <u>Type of Restricted Assets</u> | <u>Cash Including Time Deposits</u> | <u>Investments</u> | <u>Accrued Interest</u> | <u>Total</u> |
|----------------------------------|---|--------------------|-----------------------------|-------------------|
| FSS Escrow | \$ 75,651 | \$ ---- | \$ ---- | \$ 75,651 |
| HAP funds | 42,582 | ---- | ---- | 42,582 |
| Security deposit | 91,619 | ---- | ---- | 91,619 |
| | <u>\$ 209,852</u> | <u>\$ ----</u> | <u>\$ ----</u> | <u>\$ 209,852</u> |

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2013

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS - (Continued)

3C. Receivables

Receivables at December 31, 2013, consist of the following:

| | | |
|--|----|----------------------|
| Tenants - net of allowance | \$ | 14,467 |
| Less: Allowance for doubtful account - tenants | | (3,750) |
| Fraud recovery | | 10,235 |
| Less: Allowance for doubtful account - fraud | | <u>(5,117)</u> |
| | | |
| Tenants - net of allowance | | 15,835 |
| HUD | | 12,147 |
| PHA projects | * | 25,591 |
| Miscellaneous | | 142 |
| Interest | | <u>1,135</u> |
| | | |
| Total Accounts Receivable | \$ | <u><u>54,850</u></u> |

* PHA projects consisted of receivable from other Housing Authorities for management fees.

3D. Capital Assets

A summary of capital asset activity for the year ended December 31, 2013 is as follows:

| | Balance January 1, 2013 | Additions | (Retirement) | Balance December 31, 2013 |
|--------------------------------------|--|---------------------|---------------------|--|
| Non-depreciable assets: | | | | |
| Land | \$ 345,053 | \$ - | \$ - | \$ 345,053 |
| Construction in progress | <u>-</u> | <u>285,467</u> | <u>-</u> | <u>285,467</u> |
| Total non-depreciable assets | <u>345,053</u> | <u>285,467</u> | <u>-</u> | <u>630,520</u> |
| | | | | |
| Depreciable assets: | | | | |
| Building | 20,136,045 | - | - | 20,136,045 |
| Equipment - administration | <u>509,397</u> | <u>4,020</u> | <u>-</u> | <u>513,417</u> |
| Total depreciable assets | 20,645,442 | 4,020 | - | 20,649,462 |
| | | | | |
| Accumulated depreciation | <u>(14,833,163)</u> | <u>(578,382)</u> | <u>-</u> | <u>(15,411,545)</u> |
| | | | | |
| Total depreciable assets, net | <u>5,812,279</u> | <u>(574,362)</u> | <u>-</u> | <u>5,237,917</u> |
| | | | | |
| Capital assets, net | <u>\$ 6,157,332</u> | <u>\$ (288,895)</u> | <u>\$ -</u> | <u>\$ 5,868,437</u> |

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2013

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS - (Continued)

3D. Capital Assets - (Continued)

Depreciation expense is charged to programs as follows:

| Business-type Activities | | |
|--------------------------------|--------|--------------------|
| Low Rent - AMP 10 | \$ | 243,017 |
| Low Rent - AMP 20 | | 305,853 |
| Housing Choice Voucher | | 1,815 |
| COCC | | 27,697 |
| Total depreciation expense | \$ | <u>578,382</u> |

3E. Accounts Payable

Accounts payable at December 31, 2013, consist of the following:

| | | |
|----------------------------|--------|--------------------|
| Vendors & contractors | \$ | 31,526 |
| PILOT | | 50,964 |
| PHA project – HAP | | 4,956 |
| HUD | | 697 |
| FSS escrow | | 15,130 |
| Total Accounts Payable | \$ | <u>103,273</u> |

3F. Non-current Liabilities

Non-current liabilities at December 31, 2013, consist of the following:

| | | |
|-----------------------------------|--------|--------------------|
| Accrued compensated absences | \$ | 75,897 |
| FSS escrow | | 60,521 |
| Total Non-Current Liabilities | \$ | <u>136,418</u> |

The following is the summary of changes in long-term liabilities:

| | Balance January 1, 2013 | Additions | Deductions | Balance December 31, 2013 | Amounts Due within One Year |
|------------------------------|--|------------------|-------------------|--|--|
| Accrued compensated absences | 95,861 | --- | 19,964 | 75,897 | 50,598 |
| FSS escrow | 60,598 | --- | 77 | 60,521 | 15,130 |
| | \$ 156,459 | \$ --- | \$ 20,041 | \$ 136,418 | \$ 65,728 |

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2013

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS - (Continued)

3G. Inter-program Transactions and Balances

Operating Transfers

Transfers are used to move revenues from one program to the other program in accordance with the budgetary authorizations.

| | Transfers In | Transfers Out |
|----------------------|---------------------|----------------------|
| Low Rent | \$ 55,412 | \$ - |
| Capital Fund Program | - | 55,412 |
| | \$ 55,412 | \$ 55,412 |

Inter-program Receivable/Payable

Inter-program receivable/payable is eliminated for financial statement presentation. The following inter-program receivable/payable existed at December 31, 2013:

| | Due From | Due To |
|----------|-----------------|---------------|
| Low Rent | \$ 8,272 | \$ - |
| ROSS | - | (8,272) |
| Total | \$ 8,272 | \$ (8,272) |

NOTE 4 – OTHER NOTES

4A. Employee Pension Plan

The Authority provides pension benefits for all of its full-time employees through a Money Purchase Pension Plan, which is administered by American United Life. The plan was adopted by the Board in 1972. Only the Board has the authority to approve any amendments to the plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible for the plan after six months of service. The plan requires the Authority to contribute 3% plus matching of employee contribution up to 5.5% of covered wages. Benefits are fully vested at the end of 5 years of service.

The employer contributions for the years ended December 31, 2013, 2012 and 2011 were \$99,876, \$102,250 and \$105,642 respectively.

4B. Financial Data Schedule

The Authority prepares its Financial Data Schedule (FDS) in accordance with HUD requirements in a prescribed format which differs from the presentation of the basic financial statements. The FDS format excludes depreciation expense and Housing Assistance Payment (HAP) and includes investment income in operating activities, which differs from the presentation of basic financial statements.

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2013

NOTE 4 – OTHER NOTES - (Continued)

4C. Commitments

At December 31, 2013, the Authority had the following pending Capital Fund and ROSS projects in progress. The commitments related to these projects are summarized as follows:

| | <u>Funds Approved</u> | | <u>Funds Expended - Project to Date</u> |
|------------------------------|---------------------------|-----------|---|
| <u>Capital Fund Program:</u> | | | |
| CFP 501-11 | \$ 592,863 | \$ | 501,873 |
| CFP 501-12 | 519,475 | | 71,131 |
| | <u>\$ 1,112,338</u> | <u>\$</u> | <u>573,004</u> |
| <u>ROSS:</u> | | | |
| ROSS 2012 | \$ 92,148 | \$ | 53,419 |

4D. Contingencies

The Authority is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Authority in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

4E. Risk Management

The Authority is exposed to various risks of losses related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee's health and life; and natural disasters. Claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The Authority manages these various risks of loss as follows:

| <u>Type of Loss</u> | <u>Method Managed</u> |
|---|--|
| a. Torts, errors and omissions | Purchased insurance with Housing Authority Property Insurance, A Mutual Co. |
| b. Injuries to employees (workers' compensation) | Purchased insurance with CompSource Oklahoma. Claims are administered by the same company. |
| c. Physical property loss and natural disasters | Purchased commercial insurance with \$5,000 deductibles. |
| d. Health and life | Purchased health with Blue Cross Blue Shield of Oklahoma - Life insurance is provided by Dearborn National and Kansas City Life Insurance. |

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2013

NOTE 4 – OTHER NOTES - (Continued)

4F. Affiliated Organizations

The Authority, through cooperative management service agreements, provides management services to the Housing Authority of the City of Stroud, the Housing Authority of the City of Tecumseh and the Housing Authority of the Town of Prague. Through these activities the Authority earned income of approximately \$148,992 in FY 2013, which is included in other operating revenue in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. Additionally, the Authority provides the Development Enterprises of Central Oklahoma (DECO) management services as documented in the services agreement between the two organizations. The services provided by this agreement are paid based on actual costs incurred. The Authority recognized \$49,417 of fees and \$12,000 rental income in connection with this agreement for FY 2013, which is also included in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. These affiliations do not meet the criteria under GASB 14, as amended by GASB 39, for the inclusion in the reporting entity of the Authority, nor do they represent related parties.

4G. Subsequent Events

Events that occur after the balance sheet date but before the financial statements were issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events, which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes. Management evaluated the activity of the Authority through August 15, 2014 and concluded that no subsequent events have occurred that would require adjustment to or disclosures within these financial statements.

4H. Economic Dependency

The Authority is primarily dependent upon HUD for the funding of operations; therefore, the Authority is affected more by the federal budget than by local economic conditions. The funding of programs could be significantly affected by the 2014 federal budget.

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

PHA'S STATEMENT OF CERTIFICATION OF ACTUAL MODERNIZATION COST
December 31, 2013

1. Actual Capital Fund Program costs are as follows:

| | <u>CFP 501-10</u> |
|---------------------------------------|----------------------|
| Funds approved | \$ 690,007 |
| Funds expended | <u>690,007</u> |
| Excess of Funds Approved | \$ <u><u>---</u></u> |
| | |
| Funds advanced | \$ 690,007 |
| Funds expended | <u>690,007</u> |
| Excess (deficiency) of Funds Advanced | \$ <u><u>---</u></u> |

2. The costs as shown on the Actual Cost Certificate dated December 30, 2013 submitted to HUD for approval is in agreement with the Authority's records as of December 31, 2013.

3. All costs have been paid and all related liabilities have been discharged through payments.

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2013

| <u>Federal Grantor</u> | <u>Federal CFDA #</u> | <u>Expenditures</u> |
|--|---------------------------|----------------------------|
| <u>U.S. Department of Housing and Urban Development</u> | | |
| Low Rent Program | 14.850 | \$ 1,214,126 |
| Capital Fund Program | 14.872 | 450,094 |
| Housing Choice Vouchers | 14.871 | 2,717,669 |
| Resident Opportunity and Supportive Services | 14.870 | <u>98,279</u> |
| Total Federal Awards | | \$ <u><u>4,480,168</u></u> |

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Housing Authority of the City of Shawnee, Oklahoma and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

FINANCIAL DATA SCHEDULE
Year Ended December 31, 2013

| | Project Total | 14.871 Housing Choice Vouchers | 14.870 Resident Opportunity and Supportive Services | COCC | Subtotal | ELIM | Total |
|---|---------------|--------------------------------------|--|-----------|-------------|----------|-------------|
| 111 Cash - Unrestricted | \$330,239 | \$45,992 | | \$217,458 | \$593,689 | \$0 | \$593,689 |
| 113 Cash - Other Restricted | \$38,372 | \$64,731 | | \$0 | \$103,103 | \$0 | \$103,103 |
| 114 Cash - Tenant Security Deposits | \$91,619 | \$0 | | \$0 | \$91,619 | \$0 | \$91,619 |
| 115 Cash - Restricted for Payment of Current Liabilities | \$9,593 | \$5,537 | | \$0 | \$15,130 | \$0 | \$15,130 |
| 100 Total Cash | \$469,823 | \$116,260 | \$0 | \$217,458 | \$803,541 | \$0 | \$803,541 |
| 121 Accounts Receivable - PHA Projects | \$0 | \$622 | | \$24,969 | \$25,591 | \$0 | \$25,591 |
| 122 Accounts Receivable - HUD Other Projects | \$0 | \$1,653 | \$8,272 | \$2,222 | \$12,147 | \$0 | \$12,147 |
| 125 Accounts Receivable - Miscellaneous | \$0 | \$142 | | \$0 | \$142 | \$0 | \$142 |
| 126 Accounts Receivable - Tenants | \$14,467 | \$0 | | \$0 | \$14,467 | \$0 | \$14,467 |
| 126.1 Allowance for Doubtful Accounts - Tenants | -\$3,750 | \$0 | | \$0 | -\$3,750 | \$0 | -\$3,750 |
| 128 Fraud Recovery | \$0 | \$10,235 | | \$0 | \$10,235 | \$0 | \$10,235 |
| 128.1 Allowance for Doubtful Accounts - Fraud | \$0 | -\$5,117 | | \$0 | -\$5,117 | \$0 | -\$5,117 |
| 129 Accrued Interest Receivable | \$605 | \$442 | | \$88 | \$1,135 | \$0 | \$1,135 |
| 120 Total Receivables, Net of Allowances for Doubtful Accounts | \$11,322 | \$7,977 | \$8,272 | \$27,279 | \$54,850 | \$0 | \$54,850 |
| 131 Investments - Unrestricted | \$1,153,366 | \$135,159 | | \$214,883 | \$1,503,408 | \$0 | \$1,503,408 |
| 142 Prepaid Expenses and Other Assets | \$84,153 | \$2,389 | | \$4,777 | \$91,319 | \$0 | \$91,319 |
| 143 Inventories | \$39,739 | \$0 | | \$0 | \$39,739 | \$0 | \$39,739 |
| 143.1 Allowance for Obsolete Inventories | -\$1,987 | \$0 | | \$0 | -\$1,987 | \$0 | -\$1,987 |
| 144 Inter Program Due From | \$0 | \$0 | | \$8,272 | \$8,272 | -\$8,272 | \$0 |
| 150 Total Current Assets | \$1,756,416 | \$261,785 | \$8,272 | \$472,669 | \$2,499,142 | -\$8,272 | \$2,490,870 |

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended December 31, 2013

| | Project Total | 14.871 Housing Choice Vouchers | 14.870 Resident Opportunity and Supportive Services | COCC | Subtotal | ELIM | Total |
|---|---------------|--------------------------------------|--|-------------|---------------|----------|---------------|
| 161 Land | \$322,140 | \$0 | | \$22,913 | \$345,053 | \$0 | \$345,053 |
| 162 Buildings | \$19,249,317 | \$0 | | \$886,728 | \$20,136,045 | \$0 | \$20,136,045 |
| 164 Furniture, Equipment & Machinery - Administration | \$371,994 | \$20,691 | | \$120,732 | \$513,417 | \$0 | \$513,417 |
| 166 Accumulated Depreciation | -\$14,987,833 | -\$11,919 | | -\$411,793 | -\$15,411,545 | \$0 | -\$15,411,545 |
| 167 Construction in Progress | \$285,467 | \$0 | | \$0 | \$285,467 | \$0 | \$285,467 |
| 160 Total Capital Assets, Net of Accumulated Depreciation | \$5,241,085 | \$8,772 | \$0 | \$618,580 | \$5,868,437 | \$0 | \$5,868,437 |
| 180 Total Non-Current Assets | \$5,241,085 | \$8,772 | \$0 | \$618,580 | \$5,868,437 | \$0 | \$5,868,437 |
| 190 Total Assets | \$6,997,501 | \$270,557 | \$8,272 | \$1,091,249 | \$8,367,579 | -\$8,272 | \$8,359,307 |
| 290 Total Assets and Deferred Outflow of Resources | \$6,997,501 | \$270,557 | \$8,272 | \$1,091,249 | \$8,367,579 | -\$8,272 | \$8,359,307 |
| 312 Accounts Payable <= 90 Days | \$29,398 | \$259 | | \$1,869 | \$31,526 | \$0 | \$31,526 |
| 321 Accrued Wage/Payroll Taxes Payable | \$0 | \$0 | | \$16,566 | \$16,566 | \$0 | \$16,566 |
| 322 Accrued Compensated Absences - Current Portion | \$19,780 | \$4,056 | | \$26,762 | \$50,598 | \$0 | \$50,598 |
| 331 Accounts Payable - HUD PHA Programs | \$0 | \$697 | | \$0 | \$697 | \$0 | \$697 |
| 332 Account Payable - PHA Projects | \$0 | \$4,956 | | \$0 | \$4,956 | \$0 | \$4,956 |
| 333 Accounts Payable - Other Government | \$50,964 | \$0 | | \$0 | \$50,964 | \$0 | \$50,964 |
| 341 Tenant Security Deposits | \$91,619 | \$0 | | \$0 | \$91,619 | \$0 | \$91,619 |
| 342 Unearned Revenue | \$9,714 | \$0 | | \$0 | \$9,714 | \$0 | \$9,714 |
| 345 Other Current Liabilities | \$9,593 | \$5,537 | | \$0 | \$15,130 | \$0 | \$15,130 |
| 347 Inter Program - Due To | \$0 | \$0 | \$8,272 | \$0 | \$8,272 | -\$8,272 | \$0 |
| 310 Total Current Liabilities | \$211,068 | \$15,505 | \$8,272 | \$45,197 | \$280,042 | -\$8,272 | \$271,770 |

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended December 31, 2013

| | Project Total | 14.871 Housing Choice Vouchers | 14.870 Resident Opportunity and Supportive Services | COCC | Subtotal | ELIM | Total |
|--|---------------|--------------------------------------|--|-------------|-------------|----------|-------------|
| 353 Non-current Liabilities - Other | \$38,372 | \$22,149 | | \$0 | \$60,521 | \$0 | \$60,521 |
| 354 Accrued Compensated Absences - Non Current | \$29,669 | \$6,084 | | \$40,144 | \$75,897 | \$0 | \$75,897 |
| 350 Total Non-Current Liabilities | \$68,041 | \$28,233 | \$0 | \$40,144 | \$136,418 | \$0 | \$136,418 |
| 300 Total Liabilities | \$279,109 | \$43,738 | \$8,272 | \$85,341 | \$416,460 | -\$8,272 | \$408,188 |
| 508.4 Net Investment in Capital Assets | \$5,241,085 | \$8,772 | | \$618,580 | \$5,868,437 | | \$5,868,437 |
| 511.4 Restricted Net Position | | \$42,582 | | | \$42,582 | | \$42,582 |
| 512.4 Unrestricted Net Position | \$1,477,307 | \$175,465 | \$0 | \$387,328 | \$2,040,100 | | \$2,040,100 |
| 513 Total Equity - Net Assets / Position | \$6,718,392 | \$226,819 | \$0 | \$1,005,908 | \$7,951,119 | \$0 | \$7,951,119 |
| 600 Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position | \$6,997,501 | \$270,557 | \$8,272 | \$1,091,249 | \$8,367,579 | -\$8,272 | \$8,359,307 |

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended December 31, 2013

| | Project Total | 14,871 Housing Choice Vouchers | 14,870 Resident Opportunity and Supportive Services | COCC | Subtotal | ELIM | Total |
|---|---------------|---|---|-----------|-------------|------------|-------------|
| 70300 Net Tenant Rental Revenue | \$678,114 | \$0 | | \$0 | \$678,114 | \$0 | \$678,114 |
| 70400 Tenant Revenue - Other | \$72,943 | \$0 | | \$0 | \$72,943 | \$0 | \$72,943 |
| 70500 Total Tenant Revenue | \$751,057 | \$0 | \$0 | \$0 | \$751,057 | \$0 | \$751,057 |
| 70600 HUD PHA Operating Grants | \$1,374,733 | \$2,717,669 | \$98,279 | \$0 | \$4,190,681 | \$0 | \$4,190,681 |
| 70610 Capital Grants | \$289,487 | \$0 | | \$0 | \$289,487 | \$0 | \$289,487 |
| 70710 Management Fee | | | | \$382,551 | \$382,551 | -\$382,551 | \$0 |
| 70720 Asset Management Fee | | | | \$53,040 | \$53,040 | -\$53,040 | \$0 |
| 70730 Book Keeping Fee | | | | \$82,484 | \$82,484 | -\$82,484 | \$0 |
| 70740 Front Line Service Fee | | | | \$39,000 | \$39,000 | -\$39,000 | \$0 |
| 70750 Other Fees | | | | \$33,000 | \$33,000 | -\$33,000 | \$0 |
| 70700 Total Fee Revenue | | | | \$590,075 | \$590,075 | -\$590,075 | \$0 |
| 71100 Investment Income - Unrestricted | \$3,088 | \$379 | | \$381 | \$3,848 | \$0 | \$3,848 |
| 71400 Fraud Recovery | \$0 | \$3,316 | | \$0 | \$3,316 | \$0 | \$3,316 |
| 71500 Other Revenue | \$40,445 | \$20,759 | | \$214,927 | \$276,131 | \$0 | \$276,131 |
| 70000 Total Revenue | \$2,458,810 | \$2,742,123 | \$98,279 | \$805,383 | \$6,104,595 | -\$590,075 | \$5,514,520 |
| 91100 Administrative Salaries | \$247,644 | \$83,405 | | \$483,298 | \$814,347 | \$0 | \$814,347 |
| 91200 Auditing Fees | \$5,889 | \$2,943 | | \$1,718 | \$10,550 | \$0 | \$10,550 |
| 91300 Management Fee | \$312,399 | \$70,152 | | | \$382,551 | -\$382,551 | \$0 |
| 91310 Book-keeping Fee | \$38,639 | \$43,845 | | | \$82,484 | -\$82,484 | \$0 |
| 91400 Advertising and Marketing | \$798 | \$0 | | \$408 | \$1,206 | \$0 | \$1,206 |
| 91500 Employee Benefit contributions - Administrative | \$91,541 | \$19,879 | | \$142,422 | \$253,842 | \$0 | \$253,842 |
| 91600 Office Expenses | \$62,971 | \$11,877 | | \$27,956 | \$102,804 | -\$33,000 | \$69,804 |
| 91700 Legal Expense | \$900 | \$0 | | \$837 | \$1,737 | \$0 | \$1,737 |
| 91800 Travel | \$1,702 | \$3,107 | | \$13,150 | \$17,959 | \$0 | \$17,959 |
| 91900 Other | \$84,877 | \$20,896 | | \$23,859 | \$129,632 | -\$39,000 | \$90,632 |
| 91000 Total Operating - Administrative | \$847,360 | \$256,104 | \$0 | \$693,648 | \$1,797,112 | -\$537,035 | \$1,260,077 |

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended December 31, 2013

| | Project Total | 14,871 Housing Choice Vouchers | 14,870 Resident Opportunity and Supportive Services | COCC | Subtotal | ELIM | Total |
|---|---------------|---|---|----------|-----------|-----------|-----------|
| 92000 Asset Management Fee | \$53,040 | \$0 | | | \$53,040 | -\$53,040 | \$0 |
| 92100 Tenant Services - Salaries | \$0 | \$31,116 | \$71,384 | \$0 | \$102,500 | \$0 | \$102,500 |
| 92300 Employee Benefit Contributions - Tenant Services | \$0 | \$9,518 | \$26,895 | \$0 | \$36,413 | \$0 | \$36,413 |
| 92400 Tenant Services - Other | \$3,486 | \$0 | | \$2,066 | \$5,552 | \$0 | \$5,552 |
| 92500 Total Tenant Services | \$3,486 | \$40,634 | \$98,279 | \$2,066 | \$144,465 | \$0 | \$144,465 |
| 93100 Water | \$49,842 | \$0 | | \$431 | \$50,273 | \$0 | \$50,273 |
| 93200 Electricity | \$92,793 | \$0 | | \$7,334 | \$100,127 | \$0 | \$100,127 |
| 93300 Gas | \$38,432 | \$0 | | \$2,645 | \$41,077 | \$0 | \$41,077 |
| 93600 Sewer | \$35,582 | \$0 | | \$273 | \$35,855 | \$0 | \$35,855 |
| 93000 Total Utilities | \$216,649 | \$0 | \$0 | \$10,683 | \$227,332 | \$0 | \$227,332 |
| 94100 Ordinary Maintenance and Operations - Labor | \$338,228 | \$0 | | \$0 | \$338,228 | \$0 | \$338,228 |
| 94200 Ordinary Maintenance and Operations - Materials and Other | \$117,916 | \$0 | | \$3,375 | \$121,291 | \$0 | \$121,291 |
| 94300 Ordinary Maintenance and Operations Contracts | \$182,561 | \$1,013 | | \$8,567 | \$192,141 | \$0 | \$192,141 |
| 94500 Employee Benefit Contributions - Ordinary Maintenance | \$97,644 | \$0 | | \$0 | \$97,644 | \$0 | \$97,644 |
| 94000 Total Maintenance | \$736,349 | \$1,013 | \$0 | \$11,942 | \$749,304 | \$0 | \$749,304 |
| 95300 Protective Services - Other | \$41,667 | \$0 | | \$0 | \$41,667 | \$0 | \$41,667 |
| 95000 Total Protective Services | \$41,667 | \$0 | \$0 | \$0 | \$41,667 | \$0 | \$41,667 |
| 96110 Property Insurance | \$55,779 | \$0 | | \$2,334 | \$58,113 | \$0 | \$58,113 |
| 96120 Liability Insurance | \$13,632 | \$3,508 | | \$574 | \$17,714 | \$0 | \$17,714 |
| 96130 Workmen's Compensation | \$18,821 | \$3,373 | | \$16,450 | \$38,644 | \$0 | \$38,644 |
| 96140 All Other Insurance | \$11,441 | \$1,278 | | \$2,303 | \$15,022 | \$0 | \$15,022 |
| 96100 Total insurance Premiums | \$99,673 | \$8,159 | \$0 | \$21,661 | \$129,493 | \$0 | \$129,493 |

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended December 31, 2013

| | Project Total | 14,871 Housing Choice Vouchers | 14,870 Resident Opportunity and Supportive Services | COCC | Subtotal | ELIM | Total |
|--|---------------|---|---|-----------|-------------|------------|-------------|
| 96200 Other General Expenses | \$2,177 | \$0 | | \$0 | \$2,177 | \$0 | \$2,177 |
| 96210 Compensated Absences | \$40,424 | \$5,361 | | \$31,638 | \$77,423 | \$0 | \$77,423 |
| 96300 Payments in Lieu of Taxes | \$50,964 | \$0 | | \$0 | \$50,964 | \$0 | \$50,964 |
| 96400 Bad debt - Tenant Rents | \$24,770 | | | \$0 | \$24,770 | \$0 | \$24,770 |
| 96600 Bad debt - Other | \$0 | \$6,835 | | \$0 | \$6,835 | \$0 | \$6,835 |
| 96000 Total Other General Expenses | \$118,335 | \$12,196 | \$0 | \$31,638 | \$162,169 | \$0 | \$162,169 |
| 96900 Total Operating Expenses | \$2,116,559 | \$318,106 | \$98,279 | \$771,638 | \$3,304,582 | -\$590,075 | \$2,714,507 |
| 97000 Excess of Operating Revenue over Operating Expenses | \$342,251 | \$2,424,017 | \$0 | \$33,745 | \$2,800,013 | \$0 | \$2,800,013 |
| 97300 Housing Assistance Payments | \$0 | \$2,576,816 | | \$0 | \$2,576,816 | \$0 | \$2,576,816 |
| 97350 HAP Portability-In | \$0 | \$10,080 | | \$0 | \$10,080 | \$0 | \$10,080 |
| 97400 Depreciation Expense | \$548,870 | \$1,815 | | \$27,697 | \$578,382 | \$0 | \$578,382 |
| 90000 Total Expenses | \$2,665,429 | \$2,906,817 | \$98,279 | \$799,335 | \$6,469,860 | -\$590,075 | \$5,879,785 |
| 10010 Operating Transfer In | \$55,412 | \$0 | | \$0 | \$55,412 | -\$55,412 | \$0 |
| 10020 Operating transfer Out | -\$55,412 | \$0 | | \$0 | -\$55,412 | \$55,412 | \$0 |
| 10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses | -\$206,619 | -\$164,694 | \$0 | \$6,048 | -\$365,265 | \$0 | -\$365,265 |

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended December 31, 2013

| | Project Total | 14.871 Housing Choice Vouchers | 14.870 Resident Opportunity and Supportive Services | COCC | Subtotal | ELIM | Total |
|---|---------------|---|---|-----------|-------------|------|-------------|
| 11020 Required Annual Debt Principal Payments | \$0 | \$0 | \$0 | \$0 | \$0 | | \$0 |
| 11030 Beginning Equity | \$6,925,011 | \$391,513 | \$0 | \$999,860 | \$8,316,384 | \$0 | \$8,316,384 |
| 11040 Prior Period Adjustments, Equity Transfers and Correction of Errors | \$0 | \$0 | | \$0 | \$0 | \$0 | \$0 |
| 11170 Administrative Fee Equity | | \$184,237 | | | \$184,237 | | \$184,237 |
| 11180 Housing Assistance Payments Equity | | \$42,582 | | | \$42,582 | | \$42,582 |
| 11190 Unit Months Available | 5304 | 5964 | | 0 | 11268 | 0 | 11268 |
| 11210 Number of Unit Months Leased | 5162 | 5889 | | 0 | 11051 | 0 | 11051 |
| 11270 Excess Cash | \$1,217,458 | | | | \$1,217,458 | | \$1,217,458 |
| 11620 Building Purchases | \$285,467 | | | \$0 | \$285,467 | | \$285,467 |
| 11640 Furniture & Equipment - Administrative Purchases | \$4,020 | | | \$0 | \$4,020 | | \$4,020 |

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Commissioners
Housing Authority of the City of Shawnee
Shawnee, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Housing Authority of the City of Shawnee (Authority), Oklahoma, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued my report thereon dated August 15, 2014.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Authority’s internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control. Accordingly, I do not express an opinion on the effectiveness of the Authority’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority’s financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Audit Solutions, LLC

Chesterfield, Missouri

August 15, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Commissioners
Housing Authority of the City of Shawnee
Shawnee, Oklahoma

Report on Compliance for Each Major Federal Program

I have audited the City of Housing Authority of the City of Shawnee (Authority), Oklahoma's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2013. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In my opinion, the Housing Authority of the City of Shawnee, Oklahoma, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Audit Solutions, LLC

Chesterfield, Missouri

August 15, 2014

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

SIGNIFICANT DEFICIENCIES COMMUNICATED IN PRIOR YEAR
December 31, 2013

The prior audit report for the year ended December 31, 2012 contained the following audit finding:

Financial Statement Findings

None noted.

Federal Award Findings

None noted.

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2013

Section I - Summary of Auditor's Results

Financial Statements

| | |
|---|-------------|
| Type of auditor's report issued: | Unqualified |
| <u>Internal control over financial reporting:</u> | |
| ➤ Material weakness(es) identified? | No |
| ➤ Significant deficiency(ies) identified? | No |
| Noncompliance material to financial statements noted? | No |

Federal Awards

| | |
|---|-------------|
| <u>Internal control over major programs:</u> | |
| ➤ Material weakness(es) identified? | No |
| ➤ Significant deficiency(ies) identified? | No |
| Type of auditor's report issued on compliance for major programs: | Unqualified |
| Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133? | No |
| <u>Identification of major programs:</u> | |
| ➤ CFDA #14.850 Public and Indian Housing – Low Rent program | |
| ➤ CFDA #14.872 Capital Fund Program | |
| Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| Auditee qualified as low-risk auditee? | Yes |

Section II - Financial Statement Findings

The current audit report for the year ended December 31, 2013 disclosed no Financial Statement audit finding.

Section III - Federal Award Findings and Questioned Costs

The current audit report for the year ended December 31, 2013 disclosed no Federal Awards audit finding and questioned costs.